

BEFORE THE FEDERAL ELECTION COMMISSION

APR 16 4 40 PM '98

In the Matter of)

New York Republican Federal Campaign Committee)
 and Louis B. Stone, as treasurer, et al.)

MUR 4648

SENSITIVE

GENERAL COUNSEL'S REPORT

I. BACKGROUND

On March 4, 1998, this Office conducted a deposition of Jeffrey T. Buley in the above-captioned matter. Mr. Buley was deposed to determine the circumstances surrounding the issuance of checks reported by the New York Republican Federal Campaign Committee ("the Committee") on its 1994 and 1996 Post-General Reports. The checks were made payable to a number of individuals, even though the proceeds were used by the Committee's chairman to make election-related disbursements.¹ As a result of Mr. Buley's responses to certain questions, this Office believes that it is necessary to subpoena bank records from the relevant banks regarding these transactions.

¹ As has been previously related to the Commission, on the day before the 1994 general election Buley, David Dudley, Mary Obwald and Gregory Serio cashed checks totaling \$50,000 at Key Bank in Albany. Immediately after cashing their checks, Dudley, Obwald and Serio turned their cash over to Buley. Buley took the \$50,000 in cash and drove to New York City, where he turned it over to William Powers.

The checks involved in the 1996 disbursements were handled slightly differently. Then, checks totaling \$22,500 were made out to eight individuals, including Jeffrey Buley. Buley himself signed the checks on behalf of the Committee. The individuals other than Mr. Buley endorsed their checks and returned them to him. Mr. Buley then cashed them at a bank and proceeded to New York City with the \$22,500 in cash. When he arrived in New York City, Mr. Buley again turned the cash over to Mr. Powers.

II. ANALYSIS

On direct questioning, Mr. Buley has stated that the Committee issued multiple checks in both 1994 and 1996 at the suggestion of the banks involved in the respective transactions. At Mr. Buley's deposition, the following colloquy took place regarding the 1994 transactions:

Q. [Y]ou identify [four] people to whom the Party wrote the checks. There is yourself, David Dudley, Mary Obwald, [and] Greg Serio. . . . How did you decide upon these individuals to receive checks?

A. They happened to be at the State Committee Headquarters on that day.

Q. How did you decide on the amount that each person received?

A. The increments were done in consultation with the bank.

Q. What was the reason for using those increments?

A. I had no reason for those increments.

Q. What was the bank's reason for those increments?

A. I didn't get into what their reasons were. They just recommended that I use a series of individuals.

Q. Had you asked the bank prior to getting Mr. Dudley and Ms. Obwald and Mr. Serio and . . . yourself, had you asked the bank if you can [sic] withdraw a lump sum?

A. Right. I told them I need to withdraw some \$50,000 in cash, how do they recommend I go about doing it?

Q. What exactly did they recommend?

A. They recommended increments. I do not recollect if they recommended these exact increments, but they did recommend increments.

(Deposition of Jeffrey T. Buley at 17-18).

Buley tells a similar story regarding the disbursement of funds in 1996, even though a different bank was used. During Mr. Buley's deposition, the following colloquy took place:

Q. How did you decide upon [J. Brendan Quinn, Mary Obwald, William Powers, Jason Powers, Kenneth Dippel, Lisa Herbst Ruggles and Darryl Fox] to receive checks?

....

A. Once again, these were people - some of them are common names - these were people that were at the State Committee on the day when the transaction was to be conducted.

....

Q. How did you decide upon the amounts each person received?

A. Once again, I don't remember if there was any magic to the actual number. But once again, the bank again recommended increments of checks.

Q. I note that in 1996 there was about half of the amount of money that was used in 1994, but twice the people, about twice the amount of people received checks. Is there any reason for that difference?

A. Once again, I did what the bank recommended.

....

Q. Also in 1996 the procedure changed in that, according to your affidavit, the individuals to whom the checks were made out endorsed the checks and they returned the checks to you; is that correct?

....

A. Yes. Right. In 1996, I alone went to the bank.

Q. Why was this change in procedure?

A. That is the way the bank said to do it. The bank said that all the individuals didn't have to come, just have them endorse them and turn the checks over to me.

(Buley Deposition at 36-39).

This Office has been unable to discern what, if any, banking policy may have been served by suggesting that the Committee write multiple checks rather than withdraw one lump sum. At this time it remains unclear whether the Committee may have wanted to issue multiple checks and report them as they did in order to disguise the true purpose for the use of the money.

Given Mr. Buley's representations regarding his contacts with the banks, this Office believes it would be valuable to follow-up and seek information from those banks. Specifically, this Office wishes to seek documentation regarding the issuance of the checks and the identities of any bank personnel who dealt with Mr. Buley regarding the transactions. In addition, this Office believes it may be necessary to depose such bank personnel. Accordingly, this Office recommends that the Commission approve the attached Subpoenas to Produce Documents and Orders to Submit Written Answers to be sent Key Bank of New York and Trustco Bank.² This Office further recommends that the Commission approve the appropriate Subpoenas for Depositions for individuals to be identified by the respective banks.

III. RECOMMENDATIONS


1. Approve the attached Subpoenas to Produce Documents and Orders to Submit Written Answers to Key Bank of New York and Trustco Bank.

² In his testimony, Mr. Buley stated that the Committee conducted its first poll watcher program in 1993, during the New York City mayoral contest. Although no federal activity is involved, information regarding the manner in which the Committee obtained cash for that program may shed light on its 1994 and 1996 activity. Accordingly, the Subpoena and Order to Key Bank also contains questions regarding how the Committee's obtained cash for its 1993 poll watcher program.

2. Approve the appropriate Subpoenas for Depositions for individuals to be identified by the respective banks.
3. Approve the appropriate letters.

Lawrence M. Noble
General Counsel

4/16/98
Date

BY: 
Lois G. Lerner
Associate General Counsel

Attachments:
Subpoenas to Submit Documents and
Orders to Submit Written Answers (2)

Staff Assigned: Tony Buckley